

107TH CONGRESS  
1ST SESSION

# H. R. 3402

To provide tax incentives for the recovery of businesses in the City of New York which were impacted by the September 11, 2001, terrorist attacks.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 4, 2001

Mr. RANGEL (for himself, Mr. NADLER, Mrs. MALONEY of New York, Mr. SERRANO, Mr. TOWNS, Mr. HINCHEY, Mrs. MCCARTHY of New York, and Mr. McNULTY) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To provide tax incentives for the recovery of businesses in the City of New York which were impacted by the September 11, 2001, terrorist attacks.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “New York Recovery  
5       From Terrorism Act of 2001”.

1 **SEC. 2. EXPANSION OF WORK OPPORTUNITY TAX CREDIT**  
2 **TARGETED CATEGORIES TO INCLUDE CER-**  
3 **TAIN EMPLOYEES IN NEW YORK CITY.**

4 (a) IN GENERAL.—For purposes of section 51 of the  
5 Internal Revenue Code of 1986 (relating to work oppor-  
6 tunity credit), a New York Recovery Zone business em-  
7 ployee shall be treated as a member of a targeted group.

8 (b) NEW YORK RECOVERY ZONE BUSINESS EM-  
9 PLOYEE.—For purposes of this section—

10 (1) IN GENERAL.—The term “New York Recov-  
11 ery Zone business employee” means, with respect to  
12 the period beginning after September 10, 2001, and  
13 ending before January 1, 2005, any employee of a  
14 New York Recovery Zone business if—

15 (A) substantially all the services performed  
16 during such period by such employee for such  
17 business are performed in a trade or business  
18 of such business located in an area described in  
19 paragraph (2), and

20 (B) with respect to any employee of such  
21 business described in paragraph (2)(B), such  
22 employee is certified by the New York State  
23 Department of Labor as not exceeding, when  
24 added to all other employees previously certified  
25 with respect to such period as New York Recov-  
26 ery Zone business employees with respect to

1           such business, the number of employees of such  
2           business on September 11, 2001, in the New  
3           York Recovery Zone.

4           (2) NEW YORK RECOVERY ZONE BUSINESS.—  
5           The term “New York Recovery Zone business”  
6           means any business establishment which is—

7                   (A) located in the New York Recovery  
8           Zone, or

9                   (B) located in the City of New York, New  
10          York, outside the New York Recovery Zone, as  
11          the result of the destruction or damage of such  
12          establishment by the September 11, 2001, ter-  
13          rorist attack.

14          (3) NEW YORK RECOVERY ZONE.—The term  
15          “New York Recovery Zone” means the area located  
16          on or south of Canal Street, East Broadway (east of  
17          its intersection with Canal Street), or Grand Street  
18          (east of its intersection with East Broadway) in the  
19          Borough of Manhattan in the City of New York,  
20          New York.

21          (4) SPECIAL RULES FOR DETERMINING  
22          AMOUNT OF CREDIT.—For purposes of applying sub-  
23          part E of part IV of subchapter B of chapter 1 of  
24          the Internal Revenue Code of 1986 to wages paid or

1 incurred to any New York Recovery Zone business  
2 employee—

3 (A) section 51(a) of such Code shall be ap-  
4 plied by substituting “qualified wages” for  
5 “qualified first-year wages”,

6 (B) section 51(d)(12)(A)(i) of such Code  
7 shall be applied to the certification of individ-  
8 uals employed by a New York Recovery Zone  
9 business before April 1, 2002, by substituting  
10 “on or before May 1, 2002” for “on or before  
11 the day on which such individual begins work  
12 for the employer”,

13 (C) subsections (c)(4) and (i)(2) of section  
14 51 of such Code shall not apply, and

15 (D) in determining qualified wages, the fol-  
16 lowing shall apply in lieu of section 51(b) of  
17 such Code:

18 (i) QUALIFIED WAGES.—The term  
19 “qualified wages” means the wages paid or  
20 incurred by the employer for work per-  
21 formed during the period beginning on  
22 September 11, 2001, and ending on De-  
23 cember 31, 2004, to individuals who are  
24 New York Recovery Zone business employ-  
25 ees of such employer.

1 (ii) ONLY FIRST \$6,000 OF WAGES PER  
2 TAXABLE YEAR TAKEN INTO ACCOUNT.—  
3 The amount of the qualified wages which  
4 may be taken into account with respect to  
5 any individual shall not exceed \$6,000 per  
6 taxable year of the employer.

7 (c) CREDIT ALLOWED AGAINST REGULAR AND MIN-  
8 IMUM TAX.—

9 (1) IN GENERAL.—Subsection (c) of section 38  
10 of the Internal Revenue Code of 1986 (relating to  
11 limitation based on amount of tax) is amended by  
12 redesignating paragraph (3) as paragraph (4) and  
13 by inserting after paragraph (2) the following new  
14 paragraph:

15 “(3) SPECIAL RULES FOR NEW YORK RECOVERY  
16 ZONE BUSINESS EMPLOYEE CREDIT.—

17 “(A) IN GENERAL.—In the case of the  
18 New York Recovery Zone business employee  
19 credit—

20 “(i) this section and section 39 shall  
21 be applied separately with respect to such  
22 credit, and

23 “(ii) in applying paragraph (1) to  
24 such credit—

1 “(I) the tentative minimum tax  
2 shall be treated as being zero, and

3 “(II) the limitation under para-  
4 graph (1) (as modified by subclause  
5 (I)) shall be reduced by the credit al-  
6 lowed under subsection (a) for the  
7 taxable year (other than the New  
8 York Recovery Zone business em-  
9 ployee credit).

10 “(B) NEW YORK RECOVERY ZONE BUSI-  
11 NESS EMPLOYEE CREDIT.—For purposes of this  
12 subsection, the term ‘New York Recovery Zone  
13 business employee credit’ means the portion of  
14 work opportunity credit under section 51 deter-  
15 mined under section 2 of the New York Recov-  
16 ery From Terrorism Act of 2001.’”.

17 (2) CONFORMING AMENDMENT.—Subclause (II)  
18 of section 38(c)(2)(A)(ii) of such Code is amended  
19 by inserting “or the New York Recovery Zone busi-  
20 ness employee credit” after “employment credit”.

21 (3) EFFECTIVE DATE.—The amendments made  
22 by this subsection shall apply to taxable years end-  
23 ing after September 11, 2001.

1 **SEC. 3. TAX-EXEMPT PRIVATE ACTIVITY BONDS FOR RE-**  
 2 **BUILDING PORTION OF NEW YORK CITY DAM-**  
 3 **AGED IN THE SEPTEMBER 11, 2001, TER-**  
 4 **RORIST ATTACK.**

5 (a) TREATMENT AS QUALIFIED BONDS.—For pur-  
 6 poses of the Internal Revenue Code of 1986, any qualified  
 7 NYC recovery bond shall be treated as an exempt facility  
 8 bond under section 141(e) of such Code.

9 (b) QUALIFIED NYC RECOVERY BOND.—For pur-  
 10 poses of this section, the term “qualified NYC recovery  
 11 bond” means any bond which—

12 (1) is issued by the State of New York or any  
 13 political subdivision thereof (or any agency, instru-  
 14 mentality or constituted authority on behalf thereof),  
 15 and

16 (2) meets the requirements of subsections (c)  
 17 through (f).

18 (c) DESIGNATION REQUIREMENTS.—A bond meets  
 19 the requirements of this subsection if it is issued as part  
 20 of an issue designated as a qualified NYC recovery bond  
 21 by the Mayor of the City of New York, New York, or an  
 22 individual specifically appointed to make such designation.

23 (d) ISSUANCE AND VOLUME REQUIREMENTS.—

24 (1) IN GENERAL.—Except as provided in para-  
 25 graph (3), a bond issued as part of an issue meets  
 26 the requirements of this subsection if such bond is

1 issued during 2002 (or during the period elected  
2 under paragraph (2)) and the aggregate face  
3 amount of the bonds issued pursuant to such issue,  
4 when added to the aggregate face amount of quali-  
5 fied NYC recovery bonds previously issued, does not  
6 exceed \$12,500,000,000.

7 (2) ELECTIVE CARRYFORWARD OF UNUSED  
8 LIMITATION.—If the volume cap under paragraph  
9 (1) exceeds the aggregate amount of qualified NYC  
10 recovery bonds issued during 2002, the issuing au-  
11 thority under subsection (b) may elect to carry for-  
12 ward such excess volume cap for an additional 3-  
13 year period under rules similar to the rules of sec-  
14 tion 146(f) of the Internal Revenue Code of 1986  
15 (other than paragraph (2) thereof).

16 (3) CERTAIN CURRENT REFUNDINGS NOT  
17 COUNTED.—For purposes of paragraph (1), there  
18 shall not be taken into account any current refund-  
19 ing bond the proceeds of which are used to refund  
20 any bond described in paragraph (1) to the extent  
21 the face amount of such current refunding bond  
22 does not exceed the outstanding face amount of the  
23 refunded bond.

24 (e) QUALIFIED PROJECT REQUIREMENTS.—

1           (1) IN GENERAL.—A bond meets the require-  
2           ments of this subsection if it is issued as part of an  
3           issue at least 95 percent of the net proceeds of  
4           which are to be used for qualified project costs.

5           (2) QUALIFIED PROJECT COSTS.—For purposes  
6           of this subsection—

7                 (A) IN GENERAL.—The term “qualified  
8                 project costs” means—

9                         (i) with respect to a qualified project  
10                        described in paragraph (3)(A)(i), the costs  
11                        of acquisition, construction, reconstruction,  
12                        and renovation of commercial real property  
13                        and residential rental real property,  
14                        including—

15                                 (I) buildings and their structural  
16                                components,

17                                 (II) fixed tenant improvements,  
18                                and

19                                 (III) public utility property, and

20                        (ii) with respect to a qualified project  
21                        described in paragraph (3)(A)(ii), the costs  
22                        of acquisition, construction, reconstruction,  
23                        and renovation of commercial real prop-  
24                        erty, including—

1 (I) buildings and their structural  
2 components, and

3 (II) fixed tenant improvements.

4 (B) LIMITATIONS.—

5 (i) RESIDENTIAL RENTAL REAL PROP-  
6 erty.—Such term shall not include costs  
7 with respect to residential rental real prop-  
8 erty to the extent such costs for all such  
9 property exceed 20 percent of the aggre-  
10 gate face amount of the bonds issued  
11 under this section.

12 (ii) RETAIL SALES PROPERTY.—Such  
13 term shall not include costs with respect to  
14 property used for retail sales of tangible  
15 property and functionally related and sub-  
16 ordinate property to the extent such costs  
17 for all such property exceeds 10 percent of  
18 the aggregate face amount of the bonds  
19 issued under this section.

20 (iii) MOVABLE FIXTURES AND EQUIP-  
21 ment.—Such term shall not include costs  
22 with respect to movable fixtures and equip-  
23 ment.

24 (3) QUALIFIED PROJECTS.—For purposes of  
25 this subsection—

1 (A) IN GENERAL.—The term “qualified  
2 project” means any project—

3 (i) located within the New York Re-  
4 covery Zone, or

5 (ii) located within the City of New  
6 York, New York, but outside of the New  
7 York Recovery Zone, but only if—

8 (I) such project consists of at  
9 least 100,000 square feet of usable of-  
10 fice or other commercial space located  
11 in a single building or multiple adja-  
12 cent buildings, and

13 (II) the aggregate face amount of  
14 the bonds issued to finance such  
15 project, when added to the aggregate  
16 face amount of all bonds issued to fi-  
17 nance all other projects described in  
18 this clause, does not exceed  
19 \$7,000,000,000.

20 (B) NEW YORK RECOVERY ZONE.—The  
21 term “New York Recovery Zone” means the  
22 area located on or south of Canal Street, East  
23 Broadway (east of its intersection with Canal  
24 Street), or Grand Street (east of its intersection

1           with East Broadway) in the Borough of Man-  
2           hattan in the City of New York, New York.

3           (f) GENERAL REQUIREMENTS.—A bond meets the re-  
4           quirements of this subsection if it is issued as part of an  
5           issue which meets the requirements of part IV of sub-  
6           chapter B of chapter 1 of the Internal Revenue Code of  
7           1986 applicable to an exempt facility bond, except as fol-  
8           lows:

9           (1) Sections 142(d) and 150(b)(2) (relating to  
10          qualified residential rental project), and section 146  
11          (relating to volume cap) of such Code shall not apply  
12          to bonds issued under this section.

13          (2) The application of section 147(c) of such  
14          Code (relating to limitation on use for land acquisi-  
15          tion) shall be determined by reference to the aggre-  
16          gate authorized face amount of all bonds issued  
17          under this section rather than the net proceeds of  
18          each issue.

19          (3) Section 147(d) of such Code (relating to ac-  
20          quisition of existing property not permitted) shall be  
21          applied by substituting “50 percent” for “15 per-  
22          cent” each place it appears.

23          (4) Section 148(f)(4)(C) of such Code (relating  
24          to exception from rebate for certain proceeds to be  
25          used to finance construction expenditures) shall

1       apply to construction proceeds of bonds issued under  
2       this section.

3           (5) Rules similar to the rules of section  
4       143(a)(2)(A)(iv) of such Code (relating to use of  
5       loan repayments) shall apply to bonds issued under  
6       this section.

7       (g) BOND INTEREST NOT AN AMT PREFERENCE  
8       ITEM.—For purposes of section 57(a)(5) of the Internal  
9       Revenue Code of 1986, a qualified NYC recovery bond  
10      shall not be treated as a specified private activity bond.

11      (h) SEPARATE ISSUE TREATMENT OF PORTIONS OF  
12      AN ISSUE.—This section shall not apply to the portion of  
13      the proceeds of an issue which (if issued as a separate  
14      issue) would be treated as a qualified bond or as a bond  
15      that is not a private activity bond (determined without re-  
16      gard to subsection (a)), if the issuer elects to so treat such  
17      portion.

18      (i) NET PROCEEDS.—For purposes of this section,  
19      the term “net proceeds” has the meaning given such term  
20      by section 150(a)(3) of the Internal Revenue Code of  
21      1986.

22      (j) INTEREST ON DEBT USED TO PURCHASE OR  
23      CARRY QUALIFIED NYC RECOVERY BONDS.—

24           (1) IN GENERAL.—Clause (i) of section  
25      265(b)(3)(A) of such Act (relating to exception for

1 certain tax-exempt obligations) of such Code is  
2 amended by adding at the end the following new  
3 flush sentence:

4 “Such term includes a tax-exempt obliga-  
5 tion issued pursuant to section 3 of the  
6 New York Recovery From Terrorism Act  
7 of 2001.”

8 (2) REFUNDINGS.—Subparagraph (D) of sec-  
9 tion 265(b)(3) of such Code is by adding at the end  
10 the following new clause:

11 “(iv) REFUNDINGS OF CERTAIN OBLI-  
12 GATIONS.—In the case of a refunding (or  
13 a series of refundings) of a qualified tax-  
14 exempt obligation that is an obligation  
15 issued pursuant to section 3 of the New  
16 York Recovery From Terrorism Act of  
17 2001, the refunding obligation shall be  
18 treated as a qualified tax-exempt obligation  
19 if the refunding obligation meets the re-  
20 quirements of such section.”.

21 (2) EFFECTIVE DATE.—The amendments made  
22 by this subsection shall apply to taxable years end-  
23 ing on or after the date of the enactment of this Act.

1 **SEC. 4. ADDITIONAL ADVANCE REFUNDING PERMITTED OF**  
2 **CERTAIN BONDS.**

3 Paragraph (3) of section 149(d) of the Internal Rev-  
4 enue Code of 1986 shall not apply to the first advance  
5 refunding after the date of the enactment of this Act of  
6 any issue if—

7 (1) the original bond was issued by—

8 (A) the City of New York,

9 (B) the Port Authority of New York and  
10 New Jersey,

11 (C) the Metropolitan Transit Authority of  
12 the City of New York,

13 (D) the New York City Municipal Water  
14 Authority, or

15 (E) any hospital which is located in the  
16 City of New York, described in section  
17 501(c)(3) of such Code, and exempt from tax  
18 under section 501(a) of such Code,

19 (2) no bond (issued as part of the refunding  
20 issue) is issued to advance refund a private activity  
21 bond (other than a qualified hospital bond which is  
22 a qualified 501(c)(3) bond, as such terms are de-  
23 fined in section 145 of such Code), and

24 (3) other than the bonds being refunded by  
25 such refunding issue, the original bonds and all prior

(a) GENERAL RULE.—For purposes of the Internal Revenue Code of 1986, if a taxpayer elects the application of this section with respect to any eligible property, then any gain or loss on the disposition of the property shall be determined without regard to any compensation (by insurance or otherwise) received by the taxpayer for damages sustained to the property as a result of the terrorist attacks occurring on September 11, 2001. Such election shall be made at such time and in such manner as the Secretary of the Treasury may prescribe, and, once made, is irrevocable.

(1) IN GENERAL.—Subsection (a) shall apply to compensation received with respect to eligible property only to the extent of the cost of any qualified replacement property purchased by the taxpayer.

1           (2) ALLOCATION.—If the aggregate compensa-  
2           tion received by a taxpayer with respect to all eligi-  
3           ble property exceeds the aggregate cost of all quali-  
4           fied replacement property purchased by the tax-  
5           payer, such cost shall be allocated to such eligible  
6           property in accordance with rules prescribed by the  
7           Secretary.

8           (3) SPECIAL RULE FOR CONSOLIDATED  
9           GROUPS.—For purposes of paragraph (1), an affili-  
10          ated group filing a consolidated return may elect to  
11          treat any qualified replacement property purchased  
12          by a member of the group as purchased by another  
13          member of the group.

14          (c) ELIGIBLE PROPERTY.—For purposes of this sec-  
15          tion, the term “eligible property” means any tangible  
16          property—

17               (1) which is section 1245 property (as defined  
18               in section 1245(a)(3) of the Internal Revenue Code  
19               of 1986) or qualified leasehold improvement prop-  
20               erty (as defined in section 168(k)(3) of such Code),

21               (2) substantially all of the use of which as of  
22               September 11, 2001, was in a business establish-  
23               ment of the taxpayer located in the New York Re-  
24               covery Zone, and

1           (3) which was damaged or destroyed in the ter-  
2       rorist attacks of September 11, 2001.

3       (d) QUALIFIED REPLACEMENT PROPERTY.—For  
4       purposes of this section—

5           (1) IN GENERAL.—The term “qualified replace-  
6       ment property” means tangible property—

7           (A) which is described in subsection (c)(1),

8           (B) which is purchased by the taxpayer on  
9       or after September 11, 2001, and placed in  
10      service in the City of New York, New York, be-  
11      fore January 1, 2007,

12          (C) the original use of which in such city  
13      begins with the taxpayer, and

14          (D) substantially all of the use of which is  
15      reasonably expected to be in connection with a  
16      business establishment of the taxpayer located  
17      in such city.

18          (2) RECAPTURE.—The Secretary shall, by regu-  
19      lations, provide for the recapture of any Federal tax  
20      benefit provided by this section in cases where a tax-  
21      payer ceases to use property as qualified replace-  
22      ment property and such recapture is necessary to  
23      prevent the avoidance of the purposes of this section.

1 (e) COORDINATION WITH OTHER PROVISIONS OF  
2 CODE.—For purposes of the Internal Revenue Code of  
3 1986—

4 (1) SPECIAL RULE FOR TREATMENT OF UNREC-  
5 OGNIZED GAIN IN ELIGIBLE PROPERTY.—Sections  
6 1245 and 1250 of such Code shall not apply to any  
7 gain on the disposition of eligible property not recog-  
8 nized by reason of this section.

9 (2) LOSS ELECTION NOT TO APPLY TO ELIGI-  
10 BLE PROPERTY.—If a taxpayer elects the application  
11 of this section with respect to any eligible property,  
12 the taxpayer may not make an election under section  
13 165(i) of such Code with respect to any loss attrib-  
14 utable to the property.

15 (3) BASIS ADJUSTMENTS OF QUALIFIED RE-  
16 PLACEMENT PROPERTY.—

17 (A) IN GENERAL.—The basis of any quali-  
18 fied replacement property shall be reduced by  
19 the amount of any compensation disregarded by  
20 reason of subsection (a).

21 (B) SPECIAL RULES FOR RECAPTURE.—  
22 For purposes of sections 1245 and 1250 of  
23 such Code, any reduction under subparagraph  
24 (A) shall be treated as a deduction allowed for  
25 depreciation, except that for purposes of section

1           1250(b) of such Code, the determination of  
2           what would have been the depreciation adjust-  
3           ments under the straight line method shall be  
4           made as if there had been no reduction under  
5           subparagraph (A).

6           (4) SPECIAL RULES FOR APPLYING SECTION  
7           1033.—For purposes of applying section 1033 of  
8           such Code to converted property which is eligible  
9           property with respect to which an election under  
10          subsection (a) has been made—

11                 (A) the amount realized from the eligible  
12                 property shall not include any compensation re-  
13                 ceived by the taxpayer which is disregarded by  
14                 reason of subsection (a), and

15                 (B) any qualified replacement property  
16                 shall be disregarded in determining whether  
17                 property was acquired for the purposes of re-  
18                 placing the converted property.

19          (f) OTHER DEFINITIONS AND RULES.—For purposes  
20 of this section—

21                 (1) NEW YORK RECOVERY ZONE.—The term  
22                 “New York Recovery Zone” means the area located  
23                 on or south of Canal Street, East Broadway (east of  
24                 its intersection with Canal Street), or Grand Street  
25                 (east of its intersection with East Broadway) in the

1 Borough of Manhattan in the City of New York,  
 2 New York.

3 (2) TIME FOR ASSESSMENT.—Rules similar to  
 4 the rules of subparagraphs (C) and (D) of section  
 5 1033(a)(2) of such Code shall apply for purposes of  
 6 this section.

7 (3) RELATED PARTY LIMITATION.—Section  
 8 1033(i) of such Code shall apply for purposes of this  
 9 section.

10 **SEC. 6. CREDIT FOR INDIVIDUALS RESIDING IN LOWER**  
 11 **MANHATTAN.**

12 (a) IN GENERAL.—Subpart A of part IV of sub-  
 13 chapter A of chapter 1 of the Internal Revenue Code of  
 14 1986 (relating to nonrefundable personal credits) is  
 15 amended by inserting after section 25B the following:

16 **“SEC. 25C. CREDIT FOR RESIDENTS OF LOWER MANHAT-**  
 17 **TAN.**

18 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
 19 dividual who is a qualified resident with respect to the tax-  
 20 able year, there shall be allowed as a credit against the  
 21 tax imposed by this chapter for the taxable year an  
 22 amount equal to \$5,000.

23 “(b) LIMITATIONS.—

24 “(1) LIMITATION BASED ON ADJUSTED GROSS  
 25 INCOME.—

1           “(A) IN GENERAL.—The amount of the  
2           credit allowed under subsection (a) shall be re-  
3           duced (but not below zero) by \$50 for each  
4           \$1,000 (or fraction thereof) by which the tax-  
5           payer’s modified adjusted gross income exceeds  
6           \$150,000.

7           “(B) MODIFIED ADJUSTED GROSS IN-  
8           COME.—For purposes of subparagraph (A), the  
9           term ‘modified adjusted gross income’ means  
10          adjusted gross income determined without re-  
11          gard to sections 911, 931, or 933.

12          “(2) MAXIMUM CREDIT PER RESIDENCE AND  
13          PER QUALIFIED RESIDENT.—

14          “(A) PER RESIDENCE.—As provided by  
15          the Secretary, the credit under subsection (a)  
16          shall not be allowed with respect to more than  
17          1 individual with respect to a principal resi-  
18          dence for the taxable year.

19          “(B) PER QUALIFIED RESIDENT.—The ag-  
20          gregate credit allowed under subsection (a) with  
21          respect to any individual for all taxable years  
22          shall not exceed \$5,000 and no such credit shall  
23          be allowed for a taxable year if the credit was  
24          so allowed for a preceding taxable year.

1       “(c) QUALIFIED RESIDENT.—For purposes of this  
2 section—

3               “(1) IN GENERAL.—The term ‘qualified resi-  
4 dent’ means an individual who—

5                       “(A) maintains a principal residence—

6                               “(i) which is located on or south of  
7 Canal Street, East Broadway (east of its  
8 intersection with Canal Street), or Grand  
9 Street (east of its intersection with East  
10 Broadway) in the Borough of Manhattan  
11 in the City of New York, New York, and

12                               “(ii) for at least 6 consecutive months  
13 during calendar year 2002 or 2003,

14                       “(B) makes more than half of the aggre-  
15 gate rental, mortgage, or any similar payment  
16 with respect to the residence during the period  
17 described in subparagraph (A)(ii), and

18                       “(C) is certified under paragraph (5).

19               “(2) MULTIPLE RESIDENTS AGREEMENT.—For  
20 purposes of paragraph (1)(B), an individual shall be  
21 treated as making more than half of the aggregate  
22 rental, mortgage, or similar payments for the period  
23 with respect to the residence if—

24                       “(A) no one person with respect to the pe-  
25 riod makes over half of such payments,

1           “(B) over half of such aggregate payments  
2           are made by persons each of whom, but for the  
3           fact that such person did not make over half of  
4           such payments, would have been a qualified  
5           resident with respect to the residence,

6           “(C) the taxpayer contributed over 10 per-  
7           cent of such payments, and

8           “(D) each person described in subpara-  
9           graph (B) (other than the taxpayer) who con-  
10          tributed over 10 percent of such payments files  
11          a written declaration (in such manner and form  
12          as the Secretary may prescribe) that such per-  
13          son will not claim a credit with respect to such  
14          residence.

15          “(3) PRINCIPAL RESIDENCE.—The term ‘prin-  
16          cipal residence’ has the same meaning as when used  
17          in section 121, except that no ownership require-  
18          ment shall be imposed.

19          “(4) YEAR CREDIT ALLOWED.—The credit al-  
20          lowed under subsection (a) shall be allowed for the  
21          taxable year in which the period described in para-  
22          graph (1)(A)(ii) ends.

23          “(5) CERTIFICATION.—For purposes of para-  
24          graph (1)(C), the appropriate State or local author-  
25          ity shall—

1           “(A) certify whether an individual, request-  
2           ing such certification, meets the requirements  
3           of subparagraphs (A) and (B) of paragraph (1),

4           “(B) issue a certification to such individual  
5           meeting such requirements which—

6                   “(i) contains a written statement  
7                   showing the name and address of the per-  
8                   son making such certification and the  
9                   phone number of the information contact  
10                  for such person, and

11                  “(ii) is furnished on or before March  
12                  1 of the year following the calendar year in  
13                  which the credit under subsection (a) is al-  
14                  lowed, and

15                  “(C) not certify more than 32,000 in-  
16                  dividuals in any calendar year as being  
17                  qualified residents for purposes of this sec-  
18                  tion.

19           “(d) VERIFICATION.—No credit shall be allowed  
20           under subsection (a) to a taxpayer unless the taxpayer in-  
21           cludes, on the return of tax for the taxable year—

22                   “(1) proof of the certification received under  
23                   subsection (c)(5), and

24                   “(2) such other information as the Secretary  
25                   determines necessary.

1 “(e) INFORMATION REPORTING.—

2 “(1) IN GENERAL.—Any State or local author-  
3 ity which issues the certification required under sub-  
4 section (c)(5) shall make the return described in  
5 paragraph (2) (at such time as the Secretary may  
6 prescribe) with respect to each individual to whom  
7 such certification is provided.

8 “(2) FORM AND MANNER OF RETURNS.—A re-  
9 turn is described in this subsection if such return—

10 “(A) is in such form as the Secretary may  
11 prescribe, and

12 “(B) contains—

13 “(i) the name, address, and TIN of  
14 the individual to whom such certification is  
15 provided, and

16 “(ii) such other information as the  
17 Secretary may reasonably prescribe.”.

18 (b) CONFORMING AMENDMENT.—The table of sec-  
19 tions for subpart A of part IV of subchapter A of chapter  
20 1 of such Code is amended by inserting after the item  
21 relating to section 25B the following:

“Sec. 25C. Credit for residents of lower Manhattan.”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to taxable years beginning after  
24 the date of the enactment of this Act.

